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Press release

Quarterly result of €636m
Munich Re announces share buy-back of €1bn

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Munich Re posted a consolidated profit of €2.2bn for the first nine months (same period last year: €2.7bn) and is expecting a profit of €3bn for 2013. In the third quarter, the Group realised a profit of €636m (1,136m). In addition, Munich Re announced another share buy-back: shares with a volume of up to €1bn are to be repurchased before the Annual General Meeting in 2014.

CFO Jörg Schneider was very satisfied with the quarterly result, given that there had been a number of negative impacts. "It is another good result, even when the influence of one-off effects is factored out. We are holding our own in spite of a difficult business environment."

The result for the third quarter was marked by various factors. Negative items were numerous major losses in property-casualty primary insurance and reinsurance, increased expenditure in life reinsurance in Australia and the USA, a loss on the disposal of the Windsor Health Group, the performance of derivative financial instruments, and significant negative currency effects. Positive items were high income from the restructuring of the equity portfolio and the release of loss reserves and tax reserves.

"An accumulation of these special factors can substantially impact a quarterly result", Schneider continued. "But they tend to balance each other out in the long run. So the key indicator is business performance adjusted to eliminate such factors, and here we are well on track." With regard to Munich Re's result target for 2013 as a whole, he emphasised: "Although we are not home and dry yet, we are very confident of achieving a profit of €3bn."

Munich Re has announced a further share buy-back programme: before the next Annual General Meeting on 30 April 2014, shares with a volume of up to €1bn are to be repurchased. The buy-back is conditional on no major upheavals occurring on the capital markets or in underwriting business. On the basis of the current share price, the buy-back would be around 6.5 million shares or approximately 3.6% of the share capital. The repurchased shares are to be retired, The buy-back is scheduled to start shortly. "Share buy-backs benefit all shareholders, at least indirectly", said Schneider. "We have repeatedly used share buy-backs to pay out currently unneeded earned capital to shareholders, as we also do with dividends. Despite the buy-back, our good capital position will allow us to continue utilising opportunities for profitable growth in individual regions and lines of business. At the same time, it supports the discipline which is so important to us when underwriting risks." Since November 2006, Munich Re has carried out share buy-backs with a total volume of €6bn, the last buy-back having been concluded in April 2011.

Summary of the figures for the first nine months
From January to September, the Group recorded an operating result of €3,052m (3,738m). In the third quarter, it posted an operating result of €1,070m (1,434m). The non-operating result was influenced by currency effects to the tune of –€276m (–38m) for January to September and –€337m (53m) for the third quarter. There was tax income of €32m (same period last year: tax expenditure of €202m) in the third quarter. Owing to the increase in interest rates, the on- and off-balance-sheet valuation reserves decreased to the still high level of €16.1bn. Compared with year-end 2012, equity fell by 5.7% to €25.9bn. The annualised return on risk-adjusted capital (RORAC) amounted to 10.5% and the return on equity (RoE) to 10.7%. Gross premiums written were down 1.1% to €38.6bn (39.0bn), with €12.5bn (13.2bn) attributable to the third quarter. If exchange rates had remained the same, premium volume would have been 1.3% higher year on year for the first three quarters, and 0.4% lower in the third quarter.

Primary insurance: Third-quarter result of €100m
In the first nine months of the year, the primary insurance segment posted an operating result of €587m (670m), of which €177m (120m) was attributable to the third quarter. The consolidated result totalled €375m (333m), with the third quarter contributing €100m (38m). ERGO's profit for the first nine months was also above the previous year's level at €358m (321m), with €122m (66m) stemming from the third quarter.

Overall premium income across all primary insurance segments decreased by 2.3% in the first nine months to €13.6bn (13.9bn), with €4.3bn (4.4bn) from July to September. Gross premiums written in the first nine months were 1.7% lower year on year at €12.6bn (12.8bn). This was mainly due to lower life insurance premium income in Germany and international business and to the sale of a Korean subsidiary in the previous year.

CEO of the ERGO Insurance Group, Torsten Oletzky, commented on the business performance for the first nine months as follows: "ERGO is well on track to meet its profit target for the year of €350–450m. Given the low interest rates, we continue to find it hard to write profitable life insurance on a scale that enables us to grow. For this, we are counting strongly on our new product generation. Figures for new business sales, which began in July, have met our expectations so far."

The combined ratio for the property-casualty segment (including legal protection insurance) amounted to 97.1% (96.9%) from January to September. While the figure for Germany rose to 96.5% (95.6%), that for international business improved to 98.1% (99.1%). Despite high expenditure for local severe weather events like hailstorms and heavy rainfall, the combined ratio for the third quarter was, at 99.2%, slightly below the figure for the same period last year (100.3%), amounting to 100.4% (100.9%) in Germany and 97.2% (99.3%) in international business. ERGO's claims costs for several hailstorms during the summer totalled roughly €80m, of which €60m was accounted for in the third quarter.

Reinsurance: Profit of €510m in the third quarter

The nine-month operating result totalled €2,332m (2,909m), of which €851m (1,207m) derived from the third quarter. Altogether, the reinsurance field of business accounted for around €1,715m (2,329m) of the Group consolidated result for January to September, the third quarter bringing in €510m (1,036m).

Gross premiums written fell by 0.9% in the first nine months year on year and totalled €21.0bn (21.2bn), of which €6.9bn (7.5bn) was attributable to the third quarter. Premium growth was curbed by currency translation effects, without which premium would have risen by 2.8%. Gross premiums written in the life reinsurance segment between January and September 2013 totalled €8.2bn, the same level as for the equivalent period last year (€8.2bn). In property-casualty reinsurance business, premiums fell by 1.5% to €12.8bn (13.0bn).

Total expenditure for major losses was within the expected range, amounting to €1,306m (1,054m) for the first nine months and €595m (337m) for the third quarter. The claims burden from natural catastrophes totalled €645m (576m) for the first nine months and €306m (243m) for the period July to September. In June and July, intense rain and hailstorms caused heavy losses, which are expected to give rise to claims of around €180m for Munich Re. In mid-September, the Mexican mainland was hit by two hurricanes within 24 hours, costing Munich Re an estimated €150m in total. Man-made losses amounted to €661m (478m) for the first nine months and €288m (95m) for the period July to September.

The combined ratio for the first nine months amounted to 93.1% (93.6%) of net earned premiums. The figure for the third quarter was 94.3% (89.4%). Due to Munich Re's prudent reserving policy when initially assessing an underwriting year's claims expenditure, the losses actually reported for prior periods again remained well below the expected level in the third quarter. The Group was able to release reserves totalling €470m for the first nine months of the year and €235m for the third quarter. This represents around four percentage points of the combined ratio for the first three quarters, and around six percentage points for July to September.

In life reinsurance, the consolidated result for January to September amounted to €216m (390m). For the third quarter, this segment produced a loss of –€14m (previous year: profit of €123m), mainly owing to two independent trends in Australia and the USA. In Australia, group disability business saw a market-wide increase in claims. In addition, Munich Re had to make additional provision for more frequent and more costly claims in individual disability insurance as well. Munich Re incurred expenses of around €130m for higher payments and the necessary adjustment of its technical provisions, of which around €110m was attributable to the third quarter. In the second quarter, Munich Re – like other market players – had already posted increased expenses for pure mortality covers in the USA. This trend persisted in the third quarter and involved in particular treaties written between 2000 and 2005. The result in all other markets developed in line with expectations.

In the forthcoming renewal negotiations in property-casualty reinsurance business, Munich Re sees itself as well positioned and expects largely stable prices for its own portfolio. Special circumstances apply to the German market, where the high number of losses from natural hazard events in the current year will play an important role in the renewal negotiations. All in all, the reinsurance market remains competitive. Insurance-linked securities covering catastrophe risks are increasingly being favoured by investors such as pension funds in their search for a reasonable return, especially in the US market. Torsten Jeworrek, Munich Re’s Reinsurance CEO, said: "We are only moderately affected by this development because capital is mainly being channelled into non-proportional catastrophe business. Our portfolio, however, is broadly diversified with different lines of business, a high share of proportional business, and our specialised units for industrial and major corporate risks." Jeworrek continued: "Besides, we offer our clients much more than just capacity. This is demonstrated especially by our solutions for complex risks and by individual coverage concepts for our clients."

Munich Health: Profit of €27m in the third quarter
For the period January to September, Munich Health posted an operating result of €120m (131m), of which €34m (96m) was attributable to the third quarter. Munich Health contributed €86m (64m) to the Group's overall profit, €27m (58m) of this in the third quarter.

Gross premiums fell by a moderate 0.8% in the first nine months year on year and totalled €4,988m (5,028m), of which €1,611m (1,680m) was attributable to the third quarter. Premium in international health primary insurance declined slightly to €1,475m (1,522m). The marginal growth in reinsurance premium income to €3,513m (3,506m) is due to large treaties concluded by clients for capital relief.

The combined ratio was 98.0% (99.2%) for January to September, and a very pleasing 96.2% (96.4%) for July to September.

In September, Munich Re had already announced the sale of the Windsor Health Group (WHG) to US health primary insurer WellCare Health Plans, Inc. Both parties have agreed to maintain silence regarding the purchase price. The transaction is expected to be concluded at the end of the fourth quarter of 2013, provided that the requisite approvals have been obtained from the competent authorities. A loss on the disposal of WHG, some €50m before tax (roughly €20m after tax), was recognised in the financial statements for the third quarter.

Investments: Investment result of €2.1bn in the third quarter
Owing to the increase in interest rates, the value of investments at 30 September 2013 decreased by €3.6bn or 1.7% compared with year-end 2012 to €210.3bn (€218.9bn at market value).

The Group's investment result showed a year-on-year reduction of 9.7% to €5.7bn (6.3bn) for the period January to September and amounted to €2.1bn for the third quarter. This result represents an annualised return of 3.4% in relation to the average market value of the portfolio. Fixed-interest securities, loans and short-term fixed-interest investments continued to form the greater part of Munich Re's investments, and totalled €187bn – equivalent to 85% of the Group's total investments at market value. Equities make up 3.6% after hedging (31.12.2012: 3.4%) and real estate 2.5% (31.12.2012: 2.4%).

Regular income decreased by 2.1% in the first nine months year on year and totalled €5.7bn, of which €1,860m (1,934m) was attributable to the third quarter. Reinvestment of proceeds from matured securities continued to be possible only at significantly lower interest rates. This caused the running yield to fall from 3.9% to 3.4%. In the write-ups and write-downs of Munich Re's investments, net write-downs of €541m (97m) were posted, of which €96m was attributable to the third quarter (write-ups: €58m). The write-downs were made in particular on inflation and equity derivatives and swaptions. The result from the disposal of investments amounted to €729m (525m), with the third quarter contributing €266m (145m). Gains on disposal at the life primary insurance companies were used for building up the additional interest reserve ("Zinszusatzreserve") required under German accounting.

CFO Jörg Schneider expressed satisfaction with the investment result: "3.4% is a respectable return. In the current environment of low interest rates and pronounced uncertainty on the capital markets, our asset management strikes the right balance between risk and return."

The Group's asset manager is MEAG, whose assets under management as at 30 September 2013 included not only Group investments but also segregated and retail funds totalling €12.9bn (11.5bn).

Outlook for 2013: profit target of €3bn
Based on exchange rates remaining stable, the Group is proceeding on the assumption that for the 2013 financial year its gross premiums written will total around €51bn. It anticipates gross premium income of just over €27.5bn in the reinsurance segment, and a figure of slightly below €17bn for primary insurance. Total premium income in primary insurance (including the savings premiums of unit-linked life insurance and capitalisation products) is expected to be in the range of €18.0–18.5bn. Gross premiums written of just over €6.5bn are projected for Munich Health.

For property-casualty reinsurance, Munich Re's target is a combined ratio of around 94% of net earned premiums, taking into account the run-off of loss reserves for prior accident years. If the incidence of major losses remains within the expected range in the further course of the year, Munich Re projects that it will probably even marginally better this target. Owing to the major natural hazard events towards the middle of 2013, Munich Re anticipates that its combined ratio in property-casualty primary insurance will be in the range of 97%. The combined ratio for Munich Health is likely to be around 99%.

Munich Re is proceeding on the assumption that regular income from investments in 2013 will continue to fall, given the low market interest-rate level and the lower reinvestment return resulting from this. The investment return is likely to be approximately 3.3%.

Munich Re anticipates that the consolidated result in reinsurance will total between €2.4bn and €2.6bn for 2013. For the primary insurance segment, Munich Re is aiming for a consolidated result in the range of €400–500m, and projects around €350–450m for the ERGO Group. The difference between the consolidated result targets for the primary insurance segment and ERGO is mainly attributable to intra-Group business between primary insurance and reinsurance. Following the sale of the Windsor Health Group, Munich Re expects a gratifying profit of almost 100m for the Munich Health segment.

Based on the good performance to date, the Group considers a consolidated result of €3bn to be achievable.

As always, the outlook is subject to actual claims experience and the impact of severe currency or capital market developments on the income statement.

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Key figures (IFRS) for the Group in the first nine months of 2013*

(in €m unless otherwise indicated)

		Q1–Q3 2013	Q1–Q3 2012	Change	
				Absolute	%
Gross premiums written		**38,590**	39,038	-448	-1.1
Net earned premiums		**36,812**	37,550	-738	-2.0
Net expenses for claims and benefits		**30,104**	30,783	-679	-2.2
Technical result		**2,646**	2,832	-186	-6.6
Investment result		**5,662**	6,271	-609	-9.7
Thereof	Realised gains	**2,409**	3,002	-593	-19.8
	Realised losses	**1,680**	2,477	-797	-32.2
Non-technical result		**406**	906	-500	-55.2
Operating result		**3,052**	3,738	-686	-18.4
Net finance costs		**-202**	-222	20	9.0
Taxes on income		**254**	525	-271	-51.6
Consolidated profit		**2,158**	2,730	-572	-21.0
Thereof attributable to	Munich Reinsurance Company equity holders	**2,138**	2,718	-580	-21.3
	Minority interests	**20**	12	8	66.7
		30.9.2013	31.12.2012		
Investments		**210,265**	213,823	-3,558	-1.7
Equity		**25,867**	27,423	-1,556	-5.7
Employees		**45,240**	45,437	-197	-0.4
Reinsurance		**Q1–Q3 2013**	Q1–Q3 2012	Change	
				Absolute	%
Gross premiums written		**20,990**	21,186	-196	-0.9
Technical result		**2,007**	2,143	-136	-6.3
Non-technical result		**325**	766	-441	-57.6
Operating result		**2,332**	2,909	-577	-19.8
Result		**1,715**	2,329	-614	-26.4
Thereof	**Reinsurance Life**	**Q1–Q3 2013**	Q1–Q3 2012	Change	
				Absolute	%
	Gross premiums written	**8,194**	8,191	3	0.0
	Technical result	**279**	370	-91	-24.6
	Non-technical result	**56**	144	-88	-61.1
	Operating result	**335**	514	-179	-34.8
	Result	**216**	390	-174	-44.6
	Reinsurance Property-casualty	**Q1–Q3 2013**	Q1–Q3 2012	Change	
				Absolute	%
	Gross premiums written	**12,796**	12,995	-199	-1.5
	Combined ratio in %	**93.1**	93.6	-0.5	
	Technical result	**1,728**	1,773	-45	-2.5
	Non-technical result	**269**	622	-353	-56.8
	Operating result	**1,997**	2,395	-398	-16.6
	Result	**1,499**	1,939	-440	-22.7

Primary insurance*		**Q1–Q3 2013**	Q1–Q3 2012	Change	
				Absolute	%
Gross premiums written		**12,612**	12,824	-212	-1.7
Technical result		**522**	615	-93	-15.1
Non-technical result		**65**	55	10	18.2
Operating result		**587**	670	-83	-12.4
Result		**375**	333	42	12.6
Thereof	**Primary insurance Life**	**Q1–Q3 2013**	Q1–Q3 2012	Change	
				Absolute	%
	Gross premiums written	**3,936**	4,151	-215	-5.2
	Technical result	**-25**	96	-121	-
	Non-technical result	**88**	141	-53	-37.6
	Operating result	**63**	237	-174	-73.4
	Result	**107**	175	-68	-38.9
	Primary insurance Health	**Q1–Q3 2013**	Q1–Q3 2012	Change	
				Absolute	%
	Gross premiums written	**4,289**	4,304	-15	-0.3
	Technical result	**302**	285	17	6.0
	Non-technical result	**-80**	-123	43	35.0
	Operating result	**222**	162	60	37.0
	Result	**114**	79	35	44.3
	Primary insurance Property-casualty	**Q1–Q3 2013**	Q1–Q3 2012	Change	
				Absolute	%
	Gross premiums written	**4,387**	4,369	18	0.4
	Combined ratio in %	**97.1**	96.9	0.2	
	Technical result	**245**	234	11	4.7
	Non-technical result	**57**	37	20	54.1
	Operating result	**302**	271	31	11.4
	Result	**154**	79	75	94.9
Munich Health		**Q1–Q3 2013**	Q1–Q3 2012	Change	
				Absolute	%
Gross premiums written		**4,988**	5,028	-40	-0.8
Combined ratio in %		**98.0**	99.2	-1.2	
Technical result		**117**	74	43	58.1
Non-technical result		**3**	57	-54	-94.7
Operating result		**120**	131	-11	-8.4
Result		**86**	64	22	34.4
Shares		**Q1–Q3 2013**	Q1–Q3 2012	Change	
				Absolute	%
Earnings per share in €		**11.93**	15.30	-3.37	-22.0

* Previous year's figures adjusted pursuant to IAS 8.

Key figures (IFRS) for the Group in the third quarter of 2013*

(in €m unless otherwise indicated)

		3rd quarter 2013	3rd quarter 2012	Change	
				Absolute	%
Gross premiums written		**12,497**	13,211	-714	-5.4
Net earned premiums		**12,111**	12,733	-622	-4.9
Net expenses for claims and benefits		**10,459**	10,325	134	1.3
Technical result		**745**	1,129	-384	-34.0
Investment result		**2,099**	2,221	-122	-5.5
Thereof	Realised gains	**878**	1,027	-149	-14.5
	Realised losses	**612**	882	-270	-30.6
Non-technical result		**325**	305	20	6.6
Operating result		**1,070**	1,434	-364	-25.4
Net finance costs		**-59**	-77	18	23.4
Taxes on income		**-32**	202	-234	-
Consolidated profit		**636**	1,136	-500	-44.0
Thereof attributable to	Munich Reinsurance Company equity holders	**637**	1,130	-493	-43.6
	Minority interests	**-1**	6	-7	-
Reinsurance		**3rd quarter 2013**	3rd quarter 2012	Change	
				Absolute	%
Gross premiums written		**6,894**	7,495	-601	-8.0
Technical result		**499**	899	-400	-44.5
Non-technical result		**352**	308	44	14.3
Operating result		**851**	1,207	-356	-29.5
Result		**510**	1,036	-526	-50.8
Thereof	**Reinsurance Life**	**3rd quarter 2013**	3rd quarter 2012	Change	
				Absolute	%
	Gross premiums written	**2,631**	2,897	-266	-9.2
	Technical result	**-26**	115	-141	-
	Non-technical result	**74**	61	13	21.3
	Operating result	**48**	176	-128	-72.7
	Result	**-14**	123	-137	-
	Reinsurance Property-casualty	**3rd quarter 2013**	3rd quarter 2012	Change	
				Absolute	%
	Gross premiums written	**4,263**	4,598	-335	-7.3
	Combined ratio in %	**94.3**	89.4	4.9	
	Technical result	**525**	784	-259	-33.0
	Non-technical result	**278**	247	31	12.6
	Operating result	**803**	1,031	-228	-22.1
	Result	**524**	913	-389	-42.6

Primary insurance*		**3rd quarter 2013**	3rd quarter 2012	Change	
				Absolute	%
Gross premiums written		**3,992**	4,036	-44	-1.1
Technical result		**174**	157	17	10.8
Non-technical result		**3**	-37	40	-
Operating result		**177**	120	57	47.5
Result		**100**	38	62	163.2
Thereof	**Primary insurance Life**	**3rd quarter 2013**	3rd quarter 2012	Change	
				Absolute	%
	Gross premiums written	**1,278**	1,323	-45	-3.4
	Technical result	**-4**	-5	1	20.0
	Non-technical result	**19**	-14	33	-
	Operating result	**15**	-19	34	-
	Result	**34**	-3	37	-
	Primary insurance Health	**3rd quarter 2013**	3rd quarter 2012	Change	
				Absolute	%
	Gross premiums written	**1,421**	1,435	-14	-1.0
	Technical result	**117**	129	-12	-9.3
	Non-technical result	**-24**	-45	21	46.7
	Operating result	**93**	84	9	10.7
	Result	**51**	48	3	6.3
	Primary insurance Property-casualty	**3rd quarter 2013**	3rd quarter 2012	Change	
				Absolute	%
	Gross premiums written	**1,293**	1,278	15	1.2
	Combined ratio in %	**99.2**	100.3	-1.1	
	Technical result	**61**	33	28	84.8
	Non-technical result	**8**	22	-14	-63.6
	Operating result	**69**	55	14	25.5
	Result	**15**	-7	22	-
Munich Health		**3rd quarter 2013**	3rd quarter 2012	Change	
				Absolute	%
Gross premiums written		**1,611**	1,680	-69	-4.1
Combined ratio in %		**96.2**	96.4	-0.2	
Technical result		**72**	73	-1	-1.4
Non-technical result		**-38**	23	-61	-
Operating result		**34**	96	-62	-64.6
Result		**27**	58	-31	-53.4
Shares		**3rd uarter 2013**	3rd quarter 2012	Change	
				Absolute	%
Earnings per share in €		**3.55**	6.36	-2.81	-44.2
* Previous year's figures adjusted pursuant to IAS 8.					